

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 13441 01 OF 02 061558Z
ACTION EUR-12

INFO OCT-01 ISO-00 USIE-00 INRE-00 L-03 STR-04 SSO-00
AGR-05 AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07
FRB-03 INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02
TRSE-00 LAB-04 EPG-02 SIL-01 OMB-01 /091 W
-----061750Z 050179 /50

O 061608Z MAY 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 6515
INFO AMEMBASSY LONDON IMMEDIATE

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 13441

PASS: LONDON ALSO FOR SUMMIT DELEGATION

E.O. 11652: N/A
TAGS: OECD, ECON
SUBJECT: MAY TUAC LIAISON COMMITTEE MEETING: LABOR
LEADERS OF OECD COUNTRIES POINT ECONOMIC POLICY RECOM-
MENDATIONS AT SUMMIT

REF: (A) RE/TUAC(77)1; (B) RE/TUAC(77)2:
(C) RE/TUAC(77)3; (D) RE/TUAC(77)4;
(E) RE/TUAC(77)5; (F) STATE 99583

1. SUMMARY: AT MAY 5 TUAC LIAISON COMMITTEE MEETING,
LEADERS OF MAJOR EUROPEAN, JAPANESE AND U.S. TRADE UNIONS
ASSEMBLED AND FORCEFULLY PRESENTED A PLEA AIMED AT THE
DOWNING STREET SUMMIT TO RESTORE FULL EMPLOYMENT AS PRI-
MARY GOAL OF POLICY AND TO DEAL DECISIVELY WITH SERIOUS
AND POLITICALLY DANGEROUS UNEMPLOYMENT SITUATION. AFL/
CIO (REPRESENTED BY DIRECTOR OF RESEARCH OSWALD), IN FIRST
OFFICIAL CONTACT WITH THE TUAC IN SEVERAL YEARS, CIRCULATED
STATEMENT BY GEORGE MEANY WHICH STATES, IN PART,
THAT, "THIS ECONOMIC SUMMIT SHOULD CONCENTRATE ON SOLVING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 13441 01 OF 02 061558Z

UNEMPLOYMENT FIRST AND FOREMOST." THRUST OF TUAC INTER-
VENTION (DELIVERED BY LORD ALLEN, TUC) WAS SHARP CRITI-
CISM OF OECD MEDIUM-TERM STRATEGY FOR SUSTAINABLE GROWTH
ENDORSED AT JUNE, 1976 MINISTERIAL. ALLEN PROPOSED ALTER-
NATIVE HIGH GROWTH SCENARIO AND ADVANCED SPECIFIC POLICY
RECOMMENDATIONS FOR ACTION WHICH, IN TUAC VIEW, SHOULD
BE FOCUS OF ATTENTION AT SUMMIT. ECONOMIC POLICY COM-

MITTEE (EPC) CHAIRMAN, SIR DOUGLAS ALLEN, GAVE BRIEF EXPLANATION OF PHILOSOPHY UNDERLYING MEDIUM-TERM SCENARIO. COUNTRY DELS WELCOMED TUAC PRESENTATION AS CONSTRUCTIVE, CREATIVE AND WELL-PREPARED AND INDICATED APPROPRIATENESS OF TAKING TUAC VIEWS INTO ACCOUNT IN PREPARATION FOR JUNE 14-15 EPC PLENARY AND FOR JUNE 23-24 OECD MINISTERIAL. TUAC (LORD ALLEN) FOUND THIS RESPONSE INADEQUATE, STRESSED NEED FOR ACTION, AND WARNED THAT FAILURE TO ACHIEVE SIGNIFICANT PROGRESS IN DIALOGUE WITH UNION MODERATES COULD LEAVE FIELD OPEN FOR LESS RESPONSIBLE, DISSIDENT ELEMENTS OF TRADE UNION MOVEMENTS. IN THIS CONTEXT, TUAC CIRCULATED DRAFT CONCLUSIONS (AGREED WITHIN TUAC MORNING OF MAY 5) AND INSISTED THAT OECD PROVIDE WRITTEN RESPONSE. VAN LENNEP INDICATED THAT WRITTEN RESPONSE ADDRESSING CENTRAL POLICY ISSUES COULD FORM BASIS OF FOLLOW-ON LIAISON COMMITTEE MEETING, BUT THAT SUCH A RESPONSE COULD ONLY BE PREPARED AFTER EPC PLENARY AND AFTER OECD MINISTERIAL MEETING. END SUMMARY

2. THRUST OF TUAC INTERVENTION WAS SHARP CRITICISM OF STRATEGY FOR SUSTAINABLE INFLATIONARY GROWTH ADOPTED AT JUNE, 1976 OECD MINISTERIAL. LORD ALLEN EMPHASIZED THAT PUERTO RICO SUMMIT, WHICH ENDORSED STRATEGY OF GRADUAL RECOVERY, WAS TURNING POINT IN ECONOMIC POLICY; IT MARKED THE END OF FULL EMPLOYMENT AS PRIMARY POLICY GOAL OF OECD COUNTRY GOVERNMENTS. NOT ONLY DOES ECONOMIC PERFORMANCE SINCE PUERTO RICO CONFIRM THIS ANALYSIS, BUT, PROSPECTS FOR ABSORBING THE UNEMPLOYED ARE BLEAK. ALLEN POINTED TO ADDITIONAL DOMESTIC AND INTERNATIONAL ECONOMIC LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 13441 01 OF 02 061558Z

PROBLEMS WHICH FURTHER COMPLICATED TASK OF RETURNING QUICKLY TO FULL EMPLOYMENT WITHOUT IGNITING INFLATION AND OFFERED ALTERNATIVE MEDIUM-TERM SCENARIO BASED ON MAIN TUAC RECOMMENDATIONS FORMULATED AS QUESTIONS WHICH SUMMIT SHOULD ADDRESS. THESE WERE:

(A) GIVEN GOVERNMENTS ACCEPTANCE OF TARGET OF REACHING FULL EMPLOYMENT BY 1980, DO THEY ACCEPT THAT 7 PERCENT GROWTH PER ANNUM WILL THEREFORE BE NECESSARY. IF SO, DO THEY ACCEPT THE COMMITMENT TO POLICIES NECESSARY TO ACHIEVE THIS? (TUAC NOTED THAT STRONG COUNTRIES SHOULD BE GROWTH LEADERS.)

(B) DO GOVERNMENTS ACCEPT THE NEED FOR POLICIES TOWARD BOTH LABOR AND CAPITAL TO EFFECT STRUCTURAL CHANGES TO OBTAIN ABOVE GROWTH RATES WITHOUT INFLATION?

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 13441 02 OF 02 061605Z

ACTION EUR-12

INFO OCT-01 ISO-00 USIE-00 INRE-00 L-03 STR-04 AGR-05

AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-07 FRB-03

INR-07 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00

LAB-04 EPG-02 SIL-01 OMB-01 SSO-00 /091 W

-----061701Z 050523 /50

O 061608Z MAY 77

FM USMISSION OECD PARIS

TO SECSTATE WASHDC IMMEDIATE 6516

INFO AMEMBASSY LONDON IMMEDIATE

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 13441

(C) DO GOVERNMENTS RECOGNIZE IMPORTANCE OF ACHIEVING
SOCIAL CONSENSUS IF ECONOMIC POLICIES ARE TO SUCCEED?
DO THEY ACCEPT THAT THIS WILL REQUIRE FAIRER DISTRIBUTION
OF INCOME AND WEALTH; DO THEY ACCEPT THE RADICAL
POLICY IMPLICATION OF THIS?

(D) DO GOVERNMENTS ACCEPT THE THREAT IMPOSED BY MNC'S TO
THE ABILITY OF GOVERNMENTS TO IMPLEMENT AGREED ECONOMIC
POLICIES? DO THEY ACCEPT NEED FOR LEGALLY BINDING CON-
VENTION COVERING ACTIVITIES OF MNC'S AND THE DEVELOPMENT
OF THE PRESENT, VERY WEAK OECD CODE (FOR MNC'S)?

(E) DO GOVERNMENTS ACCEPT NEED FOR ACTION TO RE-ESTAB-
LISH CONTROL OVER INTERNATIONAL EXCHANGE MARKETS AND TO
MAKE EXCHANGE RATE MOVEMENTS SUBJECT OF GOVERNMENT POLICY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 13441 02 OF 02 061605Z

DECISIONS RATHER THAN OF SPECULATION?

(F) MOST IMPORTANTLY, HOW DO GOVERNMENTS ENVISAGE THAT THE FINE WORDS AND TARGETS OF THE SUMMIT CAN BE TRANSLATED INTO ACTION? TRADE UNIONS LOOK ANXIOUSLY TOWARD LONDON SUMMIT BECAUSE (THEY) CAN NOT AFFORD ANOTHER WASTED YEAR AS THE YEAR SINCE PUERTO RICO HAS BEEN.

3. EPC CHAIRMAN SIR DOUGLAS ALLEN REPLIED TO TUAC STATEMENT WITH BRIEF EXPOSITION OF UNDERLYING PRINCIPLES OF OECD MEDIUM-TERM STRATEGY. THE STRATEGY, HE EXPLAINED, DID NOT AIM AT SUPPRESSING INFLATION BY DRIVING UP UNEMPLOYMENT. RATHER THE STRATEGY WAS BASED ON PRINCIPLE THAT SUSTAINABLE GROWTH NEEDED TO RESTORE FULL EMPLOYMENT WOULD NOT BE POSSIBLE UNLESS PROGRESS IN REDUCING INFLATION WERE MADE.

4. COUNTRY REPS GENERALLY EMPHASIZED AREAS IN WHICH THEY AGREED WITH TUAC ANALYSIS AND RECOMMENDATIONS. IN PARTICULAR, THEY (A) PRAISED QUALITY OF TUAC INPUT AS IT IS BASED ON CONSENSUS OF LARGE NUMBER OF NATIONAL UNIONS; (B) STRESSED DESIRABILITY OF MAINTAINING CONTINUING DIALOGUE WITH TUAC, AND OF FACTORING TUAC VIEWS INTO PREPARATIONS FOR JUNE EPC AND MINISTERIAL MEETINGS; AND (C) AGREED THAT FULL EMPLOYMENT SHOULD BE PRIORITY GOAL OF ECONOMIC POLICY. U.S. REP, AS PER INSTRUCTIONS (PER REF F), JOINED IN THIS CHORUS, STRESSING IMPORTANCE OF STRUCTURAL PROBLEMS AND SPECIFIC MANPOWER AND EMPLOYMENT POLICIES.

5. TUAC (ALLEN) DREW LOVE-FEAST TO ABRUPT CLOSE IN EXPRESSING DISMAY THAT MEETING HAD NOT PRODUCED "BRISK, SPECIFIC CONCLUSIONS." REDRESSMENT OF CRITICAL ECONOMIC SITUATION REQUIRED ACTION, NOT WORDS. IN ABSENCE OF QUICK, EFFECTIVE ACTION, BASED ON DIALOGUE WITH RESPONSIBLE ORGANIZED LABOR, THERE WAS REAL DANGER THAT LESS RES-

LIMITED OFFICIAL USE

PAGE 03 OECD P 13441 02 OF 02 061605Z

PONSIBLE ELEMENTS WOULD GAIN UPPER HAND AND PURSUE "DIALOGUE" IN THEIR OWN WAY. IN THIS CONTEXT, ALLEN INSISTED ON WRITTEN RESPONSE FROM OECD TO TUAC POLICY RECOMMENDATIONS (AGREED WITHIN TUAC MORNING OF MAY 5 AND SUBSTANTIVELY THE SAME AS THOSE CONTAINED IN REF D, TUAC'S ALTERNATIVE GROWTH SCENARIO).

6. VAN LENNEP RESPONDED WITH MORE ELABORATE AND MORE POINTED DEFENSE OF MEDIUM-TERM STRATEGY. HE SAID THAT OECD WOULD PRODUCE WRITTEN RESPONSE TO TUAC CONCLUSIONS WHICH COULD FORM BASIS OF FOLLOW-ON MEETING WITH LIAISON COMMITTEE. HE ADDED, HOWEVER, THAT A RESPONSE WHICH

ADDRESSED IMPORTANT POLICY ISSUES INTEGRAL TO THE OECD'S
MEDIUM-TERM STRATEGY (AS OPPOSED TO TECHNICAL POINTS)
WOULD HAVE TO BE CONSIDERED IN LIGHT OF CONCLUSIONS OF
EPC PLENARY AND OF OECD MINISTERS.
KATZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EMPLOYMENT, COMMITTEE MEETINGS, LABOR UNION OFFICIALS, LABOR FORCE, SUMMIT MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP13441
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770160-0005
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770585/aaaacvkl.tel
Line Count: 229
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: acb58a99-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2615964
Secure: OPEN
Status: NATIVE
Subject: MAY TUAC LIAISON COMMITTEE MEETING: LABOR LEADERS OF OECD COUNTRIES POINT ECONOMIC POLICY RECOM-MENDATIONS AT SUMMIT
TAGS: ECON, OECD
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/acb58a99-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009